GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Panchayat Raj and Rural Development Department – Fourth State Finance Commission – Finalization of the Recommendations of the Fourth State Finance Commission – Orders – Issued.

PANCHAYAT RAJ & RURAL DEVELOPMENT (MDL.I) DEPARTMENT

G.O.Ms.No.09 **Dated: 03.02.2024.**

Read the following:-

1.G.O.Rt.No.20 of Finance(CASP&FC) Dept, dt.05.02.2018.
2.G.O.Rt.No.268 of Finance (PMU-CASPS, FC&IF) Dept, dt.10.10.2022.
3.Finance Dept., U.O.Note No. FINO1-COOROMISC/8/2024-CASPS- FC(2336809) Dt.27/01/2022.
4.U.O.Note No.FIN01-COOR0MISC/8/2024-CASPS-FC(2336809), Dt:01.02.2024..

*****

ORDER:-

In consonance with the Constitutional provisions of the 73rd Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994 the Governor of A.P. have re-constituted the Fourth State Finance Commission on 05.02.2018 under the Chairmanship of Prof.Gummadi Nancharaiah, vide 1st read above. The award period of re-constituted IV SFC is 2020-2025.

2. The re-constituted Fourth State Finance Commission have submitted the final report with (91) Nos. recommendations (Rural Local Bodies-40 Nos involving of Rs.1517.00 Crores for RLBs + Urban Local Bodies-51 Nos.) on 30.10.2019. As per Section 241(2) of AP Panchayat Raj Act (No.13) 1994, the Government shall cause every recommendation made by the Commission under this section together with an explanatory memorandum as to the action taken thereon to be laid before Legislature of the State.

3. The Committee of Ministers & Secretaries so constituted through the reference 2nd read above, has submitted their recommendations on the report of IV State Finance Commission (IV SFC).

4. Under these circumstances, the recommendations of Committee of Ministers & Secretaries on the report of IV State Finance Commission (IV SFC) has been approved vide resolution No.35/2024 by the Council of Ministers for placing the same before the State Legislature. The Council of Ministers have accepted the recommendations as described in Annexure-I & II. Government hereby decide to accept the recommendations of the Fourth State Finance Commission in respect of RLBs pertains to PR&RD Department for both Financial and Non- Financial as annexed to this order.

5 . The Commissioner, PR&RD and other HODs noted in the address entries are requested to issue necessary follow up orders or instructions for implementation of these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA RADESH)

B.RAJSEKHAR
SPECIAL CHIEF SECRETARY TO GOVERNMENT

To
The PR&RD Dept/ GSWS/ MA&UD/Energy/TR&B/ Revenue/Revenue(DM) /Ind&Com/I&CAD (IW)/Agri &Coop.(Marketing)/EFS&T(Forest).
The Concerned Sections in PR&RD Department.
The Commissioner, Panchayat Raj and Rural Development, Tadepalli.
The Commissioner of Rural Development
The Commissioner, APSIRD,Vijayawada
The Commissioner of Reg & Stamps,Vijayawada.
The Commissioner of Transport, Vijayawada
The Commissioner of Marketing, Vijayawada
The Director of Mines & Geology, Vijayawada
The Chief Conservator of Forests, Guntur.
The Engineer-in -chief, Panchayat Raj, Vijayawada.
The Engineer-in -chief, RWS, Vijayawada.
The Managing Director, Swachh Bharat mission, Vijayawada.
All the District Collectors in the State.
All the Chief Executive Officers of Zilla Praja Parishads in the State.
All the District Panchayat Officers in the State of Andhra Pradesh.

Copy to :
The G.A.(Cabinet) Department
The Director, Local Fund Audit, Mangalagiri.
All Audit Officers in the State.
The Accountant General, Andhra Pradesh, Vijayawada.
The Finance and Planning (FW. EXPR. PR.) Department,
The Chairman,5th State Finance Commission, Vijayawada.
SF/SC

//FORWARDED::BY ORDER//

SECTION OFFICER

ANNXURES – I

(to the G.O.Ms.No.09 PR&RD (MDL.I) DEPARTMENT DATED 03- 02-2024)

FINANCIAL RECOMMENDATIONS OF THE FOURTH STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Recommendation No.1

The Commission arrives at an estimated resource gap of Rs.26,975 crore for the 5 year award period. i.e. from 2020-21 to 2024-25 for PRIs (See Table 5.27) ***(Para5.33.6)***

Decision of the Government

Not accepted.

Recommendation No.2

The Commission recommends for a total devolution of 6.50 per cent of the State's Own Tax Revenue projected for the award period, to meet this expected resource gap of PRIs, as indicated in Table 5.30 and in ***Para 5.37.1***

The Commission recommends for the specification of amount of transfer to be devolved to PRIs for each year of the award period, at least one year in advance so that they can prepare their development plans.

Decision of the Government

Not accepted.

Recommendation No.4

In addition to the transfer of resources to the tune of Rs.26,975 crore, the Commission recommends for an annual share of 6.50 per cent of the State's Own Tax Revenue to PRIs for the financial years 2018-19 and 2019-20also.The Commission estimated that at 2018-19 (RE) level a 6.50 % share of State's Own Tax Revenue - of Rs.58,125 crore, would be Rs.3,778 crore. Similarly, a 6.50% share of State's Own Tax Revenue at 2019-20 (BE) level – of Rs.75438 crore-would be Rs.4,903 crore. Keeping in view the fiscal problems of PRIs, the Commission recommends that the total tax share of Rs.8,681 crore (Rs.3,778crore + Rs.4,903 crore) should be released in 10 installments during the award period of 5 years, w.e.f. April,2020 ***(Para 5.40.2)***

Decision of the Government

Not Accepted.

Recommendation No.9

It was noticed by the Commission that 1719 Gram Panchayats with less than and up to 1000 population (2011 census) were not having adequate resources even to pay the current consumption charges. Hence, the Commission considering the inadequate revenue resources and geographical area-costs involved in the delivery of basic civic amenities recommends that the Government may provide a special gap fund of Rs.52 crore per annum at the rate of Rs.3 lakhs to each of 1719 Gram Panchayats. ***(Field Observation).***

The special gap fund recommended works out to Rs.260 crore for the 5 years period and should be distributed based on the criteria and weights determined by the Commission as presented in Table. 5.31. ***(Para 5.38)***

Decision of the Government

The Gram Panchayats with less than 1000 population should be supported with electricity charges by the government as per the actual.

Recommendation No.10

In view of the growing expenditure on provision of basic services, the Commission recommends that Per capita Grant of Gram Panchayats may be enhanced fromRs.8/- to Rs.25/-; that of Mandal Praja Parishads from Rs.16/- to Rs.50/- and that of Zilla Praja Parishads from Rs.8/- to Rs.25/- and be released based on2011 population. It is in view of a four-fold increase in expenditure during the past 15 years, an increase in Per capita Grant is justified. The additional commitment to the Government works out to Rs.172.40 crore per annum and Rs. 862 crore for 5 year period. The enhanced Per capita Grant maybe released from April, 2020 onwards for PRIs. ***(Para 5.40.9)***

Decision of the Government

Accepted

Recommendation No.17

The Commission recommends for transfer of profession tax compensation to Gram Panchayats regularly. It was noticed that Rs.35.0 crore was allocated in the 2019-20 budget towards the compensation of profession tax and this allocation needs upward revision to meet the 100% compensation to Gram Panchayats. ***(Para5.40.11)***

Decision of the Government

Accepted with prospective effect

Recommendation No.21

Though it was informed to this Commission that seigniorage fee was transferred to PRIs, the Commission observed that PRIs did not receive any amount towards seigniorage fee. In the light of this observation, the Commission recommends to transfer the seigniorage fee instipulated proportions to PRIs for the award period. ***(Para 5.40.15)***

Decision of the Government

If itis in the limits of the RLB, it can be accepted. The PR&RD Department may examine the matter and take necessary action

Recommendation No.24

PRIs should prepare an action plan for identifying the parking places, road and street margins suitable for parking vehicles and levy parking fees. Different rates of taxes may be fixed for different kinds of vehicles that are to be parked at these identified parking places. Particularly the places adjacent to famous temples, weekly shandies, tourist places, historical monuments, marriage halls etc., assume much importance for levy of parking fee. The revenue so mobilized should be shared with PRIs on 60:40 ratio, of which 40%be transferred to PRIs. ***(Para 5.40.17)***

Decision of the Government

Accepted

Recommendation No.27

2nd and 3rd State Finance Commissions have recommended a levy of 5% surcharge on the income of Marketing Committees and passed on to the local bodies. However, the Government did not accept it by leaving the issue to be examined in consultation with Marketing Department.***(Para 5.40.23 & 24)***

Many of the elected representatives of PRIs have represented this issue to the Commission and the present Commission also strongly recommends that a 5%ofthe income of the Market Committees should be apportioned and distributed to local bodies. The statistics indicate that market committees have collected a fee of Rs.492.39 crore during 2018-19 and the 5% of this fee would be Rs.25crore, which would be Rs.125 crore for the award period. Of this Rs.125crore, 80% must be distributed to PRIs in the ratio of 80:10:10 for Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads respectively.***(Para 5.40.25)***

Decision of the Government

Accepted for levy of 10% surcharge on the Market Committees and distribution / apportion of the income among various RLBs for the use of Maintenance of Asset around the Market Yard

Recommendation No.29

The Commission recommends for an increased allocations from 2019-20 budget of Rs.0.01 lakhs (MJH-2515,MH- 198,SH-(46)-310 other grants-in-aid) towards current consumption charges to a minimum of Rs.10 crore per annum to meet current consumption charges for PRIs and release the amount at the beginning of the every financial year during the award period. ***(Para 5.41.2)***

Decision of the Government

Accepted. The Government may also consult the APERC and undertake a one-time waiver of the penal interest levied for delayed payment of electricity charges by RLBs

Recommendation No.31

The Commission recommends to take necessary action to bring the outsourced staff working in PRIs under the head "010" (salaries)which lessens the financial burden of PRIs

Decision of the Government

Rejected due to additional financial burden to State exchequer.

Recommendation No.32

The Commission observed that the budget allocations towards the maintenance of PR buildings was grossly inadequate and recommends to allocate Rs.20 crore per annum, which amount to Rs.100 crore for 5 years and suggest to release the amount for every financial year during the award period. ***(Para 5.41.5)***

Decision of the Government

Rejected due to additional financial burden to State exchequer.

Recommendation No.36

The Commission observed that Rs.6.5 crore each were allocated in the budgets for the years 2018-19 and 2019-20 for assisting the 'Best Gram Panchayats'. This allocated amount may be increased to Rs.9 crore per annum in the successive budgets for encouraging the 'Good Performers' among the PRIs, considering the demand-collection ratio of more than 90% in each ZPP (non-tax revenue), MPP (non-tax revenue) and GP (tax and non-tax revenue) in each year. ***(Field Observation)***

Decision of the Government

Accepted

Recommendation No.37

It is noticed that of the 13 districts, 9 districts were highly vulnerable to cyclones and the remaining 4 districts are drought-prone in Andhra Pradesh, according to the reports of the National Disaster Management Authority of India. The Commission strongly appeals to the XV Finance Commission for allocation of sufficient funds to State Disaster Relief Fund, on 2011population basis, which would be helpful for villages in coastal and Rayalaseema region, in which Andhra Pradesh has to release a 10% matching grant to meet the expenditure to be incurred for cyclone and drought relief activities in the State. ***(Field Observation)***

Decision of the Government

Rejected,since the Time to appeal to FC is over as the recommendations of 15th FC are being implemented

Recommendation No.38

The Commission recommends for a 5% user fee at a percentage of property tax to meet the payment of honorarium to green ambassadors, operations and maintenance expenditure of Solid Waste Management projects. This user fee should be levied and collected along with property tax by the Gram Panchayats. ***(Para 5.32.1)***

Decision of the Government

Accepted. Levy **may be subsumed into** relevant category for sanitation in the Property tax

ANNXURES – II

(to the G.O.Ms.No.09 PR&RD (MDL.I) DEPARTMENT DATED 03-02-2024)

NON-FINANCIAL RECOMMENDATIONS OF THE FOURTH STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Recommendation No.3

The Commission recommends that PRIs receiving the tax share should be allowed to spend not more than 50% of the total tax transfer received for meeting the resource gap. The other 50% should be used for investment in core infrastructure areas, in line with the priorities indicated by the Government. In other words, this is a development grant. ***(Field Observation).***

Decision of the Government

Accepted.

Recommendation No.5

The Commission is of the opinion to ensure certain fiscal autonomy and equity among PRIs and came to a conclusion to transfer resources for all the three tiers of PRIs. The amount recommended for devolution should be distributed in the ratio of 80:10:10 to Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads respectively for the award period of 5 years w.e.f April, 2020. ***(Para5.14.1, 2 &3)***

Decision of the Government

The devolution should be distributed in the ratio of 70:20:10 between the GP, MP, and ZP.

Recommendation No.6

The Commission suggests to adopt criteria and weights determined in Table. 5.31 for the disbursal of the grants to be devolved to PRIs. ***(Para 5.38)***

Decision of the Government

Accept the recommendation with one change. The weights of population and geographical areas for GPs with less than 1000 population should be revised to 40% and 40% respectively instead of 30% and 50% proposed by the Commission.

Recommendation No.7

The Commission recommends that 90% of the funds tobe devolved should be distributed as Development Fundto meet the expenditure on basic civic amenities for each tier of PRIs. The remaining 10% is to be released for improving the accountability and updating the books of accounts containing the revenues on account of own taxes, non-taxes, Central transfers, transfer of funds to meet the expenditure on CSS, revenue assigned by the State Government and from other sources and getting them audited in the stipulated time. ***(Field Observation)***

Decision of the Government

Accepted

Recommendation No.8

Similarly a systematic categorization of expenditure on different heads should be designed and maintained by PRIs, so that reliable data related to all the tiers are made available and be published. ***(Field Observation)***

Decision of the Government

Accepted

Recommendation No.11

Property tax is a major source of revenue to Gram Panchayats. However, the Commission noticed that it was not fully tapped. Lack of adequate staff to collect revenue was reported as one of the pull factors, which resulted in to sub-optimal collection of tax revenue. The Commission therefore recommends the possibility of use of the recently recruited village secretaries to this work.

Decision of the Government

Accepted

Recommendation No.12

Rationalization of levy of property tax is highly essential. A comprehensive survey is to be conducted to collect information on area, type of roof, type of flooring, number of floors, and location of property as the measure of tax assessment. ***(Para5.40.10)***

Decision of the Government

Accepted

Recommendation No.13

The list of taxable properties, based on use of property should be prepared and updated, so that all properties might be brought into tax-net to raise much more revenue even at the existing rates of tax. Propagation of 'Tax-Payment Literacy' favourably improves the revenue of Panchayats. ***(Para 5.40.10)***

Decision of the Government

Accepted

Recommendation No.14

The Commission urges the Government to ensure property tax reforms including objective determination of the base and its regular revision for every 3years to adjust for inflation. ***(Para 5.40.10)***

Decision of the Government

Accepted

Recommendation No.15

Permissible rebates in the amount of property tax may be provided for one-time annual taxpayers and the rebates to be offered must be publicized for getting the property taxes paid in time. ***(Para 5.40.10)***

Decision of the Government

Accepted

Recommendation No.16

The Commission firmly believes that the staff appointed for identifying, assessing, levying and collecting property taxes should not be converted into agents of the Government compromising their ability and motivation to collect taxes. ***(Field Observation)***

Decision of the Government

Accepted

Recommendation No.18

Vacant lands within the limits of Gram Panchayats are also taxable properties. Instead, it is not fully tapped due to non-availability of extent of vacant lands and particulars of owners of such lands with it. It was observed that Gram Panchayats do not have a systematic approach for listing vacant lands and consequently such lands go untaxed, becoming one of the sources of environmental pollution. Necessary orders must be issued to include the owners of vacant lands whenever the betterment charges are levied, by a suitable amendment to the provision in the Act. ***(Para 5.40.12)***

Decision of the Government

Accepted

Recommendation No.19

Though XI and XIII Finance Commissions recommended that Government properties ofUnion as well as State should be subject to levy of user charges, the present Commission noticed that PRIs did receive a meager amount towards user charges and many Government properties were not habituated to pay user charges. ***(Para5.40.10)***

Hence, the Commission recommends that the Central as well as State Governments should examine in depth the issue of properly compensating user charges to PRIs for the civic services provided by them to these properties and take necessary action.

Decision of the Government

Accepted

Recommendation No.20

In view of sub-optimal transfer of surcharge on stamp duty, the Commission impels the Government to transfer the prescribed proportion of surcharge on stamp duty to Gram Panchayats for the award period of 5 years w.e.f. April, 2020. ***(Para5.40.13)***

Decision of the Government

Accepted

Recommendation No.22

The share of seigniorage fee to be transferred to MPPs and ZPPs should be spent on laying and maintenance of roads leading to Gram Panchayats from where minor minerals are transported to other places, instead of spending it on some other activities. Issue of relevant orders to this effect is necessary. ***(Para5.40.15)***

Decision of the Government

Accepted

Recommendation No.23

The Commission recommends the Government to permit PRIs to fix the rents for shops in the shopping complexes constructed in their respective jurisdictions, at 10% of the market value of the property and in the case of leasing-out the shops, the rent should be increased by 1/3rd of the rent of the previous year. ***(Para 5.40.16)***

Decision of the Government

Accepted

Recommendation No.25

Trade License Fee can be made an important source of non-tax revenue to PRIs. Efforts should be initiated to list out the trades based on nature and type of trade undertaken, check the issue of licenses and all trades should be brought under "fee-net" for augmenting revenue from license fee. ***(Para 5.40.18)***

Decision of the Government

Accepted

Recommendation No.26

The Commission is of the view that weekly shandies and slaughter houses can be made another important source of non-tax revenue. It was noticed that shandies and slaughter houses were leased-out at a very low rates, which need a thorough upward revision and the leasing-out auctions should be conducted once in two years to get increased revenue from these sources. ***(Para 5.40.16)***

Decision of the Government

Accepted

Recommendation No.28

The Government should instruct the electricity distribution companies not to levy commercial rates to the offices of PRIs as well as to abolish/waive the imposition of penal interest and surcharges on the overdue amount of electricity bills. ***(Para 5.41.2)***

Decision of the Government

Refer to Energy Department for appropriate action

Recommendation No.30

According to the budget estimates for the year2019-20, a total amount of Rs.1420 crore were allocated for village volunteers and 95088 village secretaries appointed in 11158 Grama Sachivalayams for providing multiple Government services at the door step of common man. ***(Para 5.41.3)***

The Commission suggests the Government that all these functionaries along with funds should be transferred and be made a part of the administration of Gram Panchayats for achieving the true spirit of decentralization. They should be controlled administratively and financially by a single authority, instead of multiple authorities. ***(Para 5.41.2)***

Decision of the Government

Accepted.

Recommendation No.33

Since the matching grant to CSS became a financial burden, particularly for small Panchayats, the Commission suggests the Government to make an appeal to 15thFinance Commission to fix 10% of the total expenditure as a matching grant for the State. ***(Para 5.41.6)***

Decision of the Government

Rejected since the Time to appeal to Finance Commission is over as the recommendations of 15th Finance Commission are being implemented

Recommendation No.34

It was repeatedly recommended by 1st, 2nd and 3rd State Finance Commissions to establish a separate SFC Data Cell to maintain continuity in correspondence, take advance action for obtaining statistics for local bodies and make available the relevant records to subsequent Finance Commissions. Though these repeated recommendations were accepted by the Government (Recommendation no. 2 of 3rd SFC) no step was taken to establish the data cell. ***(Field Observation)***

The present Commission also reiterates this recommendation and suggests the Government to establish a permanent "SFC Data Cell" in the Department of PR & RD.

Decision of the Government

Accepted

Recommendation No.35

The Government is suggested to recommend and forward a request to XV Finance Commission that Rs.50 crore per annum may be included in its devolution for creating the database related to finances of three tiers of PRIs, which would be highly helpful for the forthcoming State Finance Commissions. ***(Field Observation)***

Decision of the Government

Rejected since the Time to appeal to Finance Commission is over as the recommendations of 15th Finance Commission are being implemented

Recommendation No.39

It was noticed that there was no effective mechanism available in PRIs to protect land and avoid encroachments, which is causing not only loss of property but also loss of revenue to PRIs. The reason observed was that the PRIs did not maintain Asset Register, despite specific orders of the Government.

The Commission recommends to update / maintain the Asset Register to check encroachments and to have an effective monitoring mechanism for safe guarding the properties and to check the evasion of penalties for encroachments.***(Para 5.40.12)***

Decision of the Government

Accepted

Recommendation No.40

Capacity building for the staff working with PRIs is highly essential to improve the qualitative delivery of basic services. The Commission recommends that all functionaries and public representatives should invariably be provided training at each PRI level, towards which it is appealed to the XV Finance Commission to provide an amount of Rs.25 crore per annum and may be transferred to Andhra Pradesh. ***(Field Observation)***

Decision of the Government

Rejected, since the Time to appeal to Finance Commission is over as the recommendations of 15th Finance Commission are being implemented.

B.RAJSEKHAR
SPECIAL CHIEF SECRETARY TO GOVERNMENT

//FORWARDED::BY ORDER//

SECTION OFFICER